

SAUGATUCK-DOUGLAS DISTRICT LIBRARY

AUDIT REPORT

YEAR ENDED JUNE 30, 2006

DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name SAUGATUCK-DOUGLAS DISTRICT LIBRA	County A LLEGAN
Fiscal Year End 6/30/06	Opinion Date 11/22/06	Date Audit Report Submitted to State 1/4/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

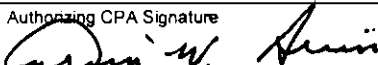
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DELONG & BROWER, PC		Telephone Number 616-396-0500	
Street Address 238 HOOVER BLVD, SUITE 10		City HOLLAND	State MI
		Zip 49423	
Authorizing CPA Signature 		Printed Name DAVID W. SIDES, CPA	License Number 17758

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DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Holland, Michigan
November 22, 2006

Library Board
Saugatuck-Douglas District Library

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck-Douglas District Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck-Douglas District Library as of June 30, 2006 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 16 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

DELONG & BROWER, P.C.

DeLong & Brower, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Saugatuck-Douglas District Library (the "Library"), we offer readers of the Library's financial statements this narrative review and analysis of the financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements are comprised of three components:

1. Government-wide statements
2. Fund financial statements, and
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Statements

The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial statements can be found on pages 4 and 5 of this report.

Fund Financial Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Library is accounted for in governmental funds.

Governmental Funds

The Library maintains governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the operating fund and gift and memorial fund. The operating fund is a major fund for financial reporting purposes as defined by GASB Statement #34.

The Library adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 6 through 9 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Library's financial statements. The notes to the financial statements can be found on pages 10 through 14 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management discussion and analysis and the budgetary comparison schedule found on page 16 of this report.

Economic Factor and Next Year's Budgets and Rates

The following factor was considered in preparing the Library's budget for the 2006-2007 fiscal year.

Amounts of anticipated grants and contributions will be reduced because fund raising is more challenging.

Financial Analysis of the Government's Funds

As of the end of the current fiscal year the combined fund balance of \$136,490 reflects an increase of \$31,186 from the previous year; an increase of 30%. This increase was due to an increase in revenues of 13% and a decrease in expenditures of 4%.

The Library's primary source of revenue is from property taxes, representing 65% of total Operating Fund revenue. Penal fines are the secondary funding source, representing 24% of total Operating Fund revenue.

Salaries and payroll taxes are a significant expense of the Library, representing 54% of total Operating Fund expenditures.

Requests for Information

This financial report is designed to provide a general overview of Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Saugatuck-Douglas District Library, PO Box 789, Douglas, MI 49406-0789.

SAUGATUCK-DOUGLAS DISTRICT LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental</u> <u>Activities</u>
ASSETS	
Cash in Bank	
Checking Account	\$ 68,095
Investments	65,473
Accounts Receivable	6,747
Due From State	2,165
Capital Assets less Accumulated Depreciation of \$236,279	<u>324,610</u>
TOTAL ASSETS	<u><u>\$ 467,090</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts Payable	\$ 3,332
Payroll Taxes Payable	<u>2,658</u>
Total Liabilities	<u>5,990</u>
 NET ASSETS	
Investment in Capital Assets	324,610
Unrestricted	<u>136,490</u>
Total Net Assets	<u>461,100</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 467,090</u></u>

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

FUNCTIONS/PROGRAMS	<u>Program Revenues</u>			Governmental Activities
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:				
Programs	\$ 120,316	\$ -	\$ 4,668	\$ (115,648)
General and Administrative	73,393	-	-	(73,393)
Depreciation (Unallocated)	54,271	-	-	(54,271)
Total Governmental Activities	<u>\$ 247,980</u>	<u>\$ -</u>	<u>\$ 4,668</u>	<u>\$ (243,312)</u>
General Revenues:				
Property Taxes, Levied for General Purposes				165,228
Penal Fines				60,682
State Sources				4,314
Interest and Investment Earnings				2,031
Contributions				24,379
Other				15,872
Total General Revenues				<u>272,506</u>
Change in Net Assets				29,194
Net Assets at Beginning of Year				<u>431,906</u>
Net Assets at End of Year				<u>\$ 461,100</u>

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006**

	<u>Operating</u> <u>Fund</u>	<u>Gift</u> <u>and</u> <u>Memorial</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
ASSETS			
Cash in Bank			
Checking Account	\$ 61,899	\$ 6,196	\$ 68,095
Investments	65,473	-	65,473
Accounts Receivable	6,747	-	6,747
Due From State	2,165	-	2,165
	<hr/>		
TOTAL ASSETS	\$ 136,284	\$ 6,196	\$ 142,480
	<hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 3,332	\$ -	\$ 3,332
Payroll Taxes Payable	2,658	-	2,658
	<hr/>		
Total Liabilities	5,990	-	5,990
	<hr/>		
FUND BALANCES			
Unrestricted			
Undesignated Available for General Activities	130,294	6,196	136,490
	<hr/>		
Total Fund Balances	130,294	6,196	136,490
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCES	\$ 136,284	\$ 6,196	\$ 142,480
	<hr/>		

The accompanying notes are an integral part of these statements.

SAUGATUCK-DOUGLAS DISTRICT LIBRARY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS
JUNE 30, 2006

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 136,490
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds:

The cost of capitalized assets is	\$ 560,889	
Accumulated depreciation is	<u>(236,279)</u>	
		324,610

TOTAL NET ASSETS	\$ 461,100
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The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	<u>Operating</u> <u>Fund</u>	<u>Gift and</u> <u>Memorial</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
REVENUE			
Local Sources			
Property Taxes	\$ 165,228	\$ -	\$ 165,228
Penal Fines	60,682	-	60,682
Service Fees	3,500	-	3,500
Interest	1,857	174	2,031
Contributions	799	23,580	24,379
Other	12,372	-	12,372
Grants	4,668	-	4,668
State Sources	4,314	-	4,314
Total Revenue	253,420	23,754	277,174
EXPENDITURES			
Salaries, Wages and Payroll Taxes	131,631	-	131,631
Employee Benefits	3,434	-	3,434
Office Supplies	7,745	-	7,745
Books	10,093	-	10,093
Periodicals and Newspapers	3,231	-	3,231
Audio/Visual and Non-Print Material	6,731	-	6,731
Dues	6,855	-	6,855
Programs	9,155	-	9,155
Travel and Conferences	53	-	53
Insurance	5,307	-	5,307
Utilities	6,383	-	6,383
Repairs and Maintenance	6,005	-	6,005
Advertising	369	-	369
Audit	3,138	-	3,138
Professional Fees	1,868	-	1,868
Computer Services	7,699	-	7,699
Miscellaneous	613	-	613
Capital Outlay	35,678	-	35,678
Total Expenditures	245,988	-	245,988
EXCESS OF REVENUE OVER EXPENDITURES	7,432	23,754	31,186
OTHER SOURCES/(USES)			
Operating Transfers	22,234	(22,234)	-
EXCESS OF REVENUE OVER EXPENDITURES			
AND OTHER (USES) SOURCES	29,666	1,520	31,186
FUND BALANCE AT BEGINNING OF YEAR	100,628	4,676	105,304
FUND BALANCE AT END OF YEAR	\$ 130,294	\$ 6,196	\$ 136,490

The accompanying notes are an integral part of these statements.

SAUGATUCK-DOUGLAS DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 31,186**

Amounts reported for governmental activities in the Statement of
 Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement
 of Activities, these costs are allocated over their estimated useful lives
 as depreciation.

Depreciation Expense	\$ (31,530)	
Capital Outlay	<u>35,678</u>	
		4,148

Governmental funds report purchase of books and material as expenditures;
 in the Statement of Activities, these costs are allocated over their estimated
 useful lives as depreciation

Depreciation Expense	\$ (22,740)	
Capital Outlay	<u>16,600</u>	
		<u>(6,140)</u>

CHANGE IN NET ASSETS **29,194**

NET ASSETS AT BEGINNING OF YEAR **431,906**

NET ASSETS AT END OF YEAR **\$ 461,100**

The accompanying notes are an integral part of these statements.

SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: General Statement

The Saugatuck-Douglas District Library is a library created by the following governmental units - City of Saugatuck, Village of Douglas and Saugatuck Township. In addition, through contractual arrangements, it also serves Laketown Township and Manlius Township. All of the above are located in Allegan County, Michigan.

The Library is governed by a library board consisting of six members, who are appointed by their respective municipalities, including a president, vice-president, secretary and treasurer.

NOTE 2: Summary of Significant Accounting Policies

The accounting policies of Saugatuck-Douglas District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library.

Reporting Entity

The Saugatuck-Douglas District Library is the lowest level of government which has oversight responsibility and control over all activities of the library. The library receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined in NCGA Statement 3 since Library Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the district's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental fund:

Operating Fund - The Operating Fund is used to account for all Library resources and expenditures except for those required to be accounted for in another fund.

The Library reports the following non-major governmental fund:

Gift and Memorial Fund - This fund is used to record contributions and support for the general operation of the Library.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and investments include certificates of deposit. Investments are stated at fair value.

SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include leasehold improvements, equipment, and library materials are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

The Library does not have infrastructure type assets.

Leasehold Improvements, equipment, and books are depreciated using the straight-line method over the following useful lives:

Leasehold Improvements	20 years
Furniture and other equipment	5-20 years
Books and other materials	5-10 years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications

Comparative data is not included in the Library's financial statements.

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the operating and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the library to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend their budgets during the year. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end. There were no encumbrances as of June 30, 2006.

SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations in Budgeted Funds

The Library did not have significant expenditure budget variances.

Fund Deficits

The Library has no accumulated fund balance deficits at June 30, 2006.

NOTE 4: DONATED MATERIALS AND SERVICES

Donated materials and equipment are reflected, if material, as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

NOTE 5: INVESTMENTS

At June 30, 2006 the \$ 65,473 of investments on the balance sheet is represented by certificates of deposit, which are covered by federal depository insurance. The carrying value of the investments approximates the market value at the balance sheet date.

Certificates of deposit at financial institutions amounted to \$ 65,473 on June 30, 2006 as follows:

<u>Bank</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Value</u>
Chemical Bank Shoreline	07/26/2006	3.20%	\$ 5,297
Chemical Bank Shoreline	08/22/2006	3.72%	20,063
Macatawa Bank	07/31/2006	3.44%	<u>40,113</u>
Total			<u>\$ 65,473</u>

NOTE 6: LEASE OF FACILITIES

The Library leases its facilities from the Village of Douglas for a nominal fee. The lease is dated November 2, 1992 and runs until November 2, 2012. The lease is paid through November 2, 2012.

SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7: EXPENDITURES IN EXCESS OF BUDGET

Uniform Accounting and Budgeting Act, P.A. 2 of 1968, as amended, requires that expenditures shall not be in excess of the amount budgeted.

During the year ended June 30, 2006, the Library incurred expenditures in excess of budget as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Funds –			
Dues	\$ 6,200	\$ 6,855	\$ 655
Capital Outlay	35,500	35,678	178

NOTE 8: CAPITAL ASSETS

Capital Asset activity of the Library's governmental activities was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
Assets not being depreciated				
Property	\$ -	\$ 10,000	\$ -	\$ 10,000
Artwork	11,722	300	-	12,022
Subtotal	11,722	10,300	-	22,022
Capital assets being depreciated:				
Leasehold Improvements	183,487	20,644	-	204,131
Furniture and fixtures	80,175	2,300	-	82,475
Equipment	47,327	2,434	-	49,761
Books and materials	185,900	16,600	-	202,500
Subtotal	496,889	41,978	-	538,867
Accumulated depreciation:				
Leasehold Improvements	58,083	10,344	-	68,427
Furniture and fixtures	30,639	11,525	-	42,164
Equipment	23,287	9,661	-	32,948
Books and materials	70,000	22,740	-	92,740
Subtotal	182,009	54,270	-	236,279
Net capital assets being depreciated	314,880	(12,292)	-	302,588
Net capital assets	\$ 326,602	\$ (1,992)	\$ -	\$ 324,610

Depreciation expense was not charged to activities as the Library considers its assets to impact multiple activities and allocation is not practical.

NOTE 9: SUBSEQUENT EVENT

In November, 2006 the voters approved a millage increase of .10 mills for the purchase and maintenance of a building located next to the Library. The purchase price of the building is \$250,000, the financed amount is expected to be \$240,000.

REQUIRED SUPPLEMENTAL INFORMATION

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUE				
Local Sources				
Property Taxes	\$ 158,958	\$ 165,228	\$ 165,228	\$ -
Penal Fines	46,000	46,000	60,682	14,682
Service Fees	-	3,500	3,500	-
Interest	1,000	1,600	2,031	431
Contributions	-	31,200	24,379	(6,821)
Other	10,000	16,600	12,372	(4,228)
Grants	5,000	-	4,668	4,668
State Sources	4,000	4,000	4,314	314
Total Revenue	224,958	268,128	277,174	9,046
EXPENDITURES				
Salaries, Wages and Payroll Taxes	158,000	154,000	131,631	22,369
Employee Benefits	-	4,000	3,434	566
Office Supplies	12,000	12,310	7,745	4,565
Books	15,500	15,500	10,093	5,407
Periodicals and Newspapers	3,500	3,500	3,231	269
Audio/Visual and Non-Print Material	16,500	16,500	6,731	9,769
Dues	7,000	6,200	6,855	(655)
Programs	7,500	9,200	9,155	45
Travel and Conferences	100	100	53	47
Insurance	5,500	5,500	5,307	193
Utilities	8,000	8,000	6,383	1,617
Repairs and Maintenance	8,000	8,000	6,005	1,995
Advertising	500	500	369	131
Audit	2,058	3,200	3,138	62
Professional Fees	-	6,918	1,868	5,050
Computer Services	8,000	8,500	7,699	801
Miscellaneous	-	700	613	87
Capital Outlay	2,800	35,500	35,678	(178)
Total Expenditures	254,958	298,128	245,988	52,140
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(30,000)	(30,000)	31,186	61,186
OTHER SOURCES/(USES)				
Operating Transfers	-	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES/(USES)	\$ (30,000)	\$ (30,000)	\$ 31,186	\$ 61,186

DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS

November 22, 2006

Board of Directors
Saugatuck-Douglas District Library

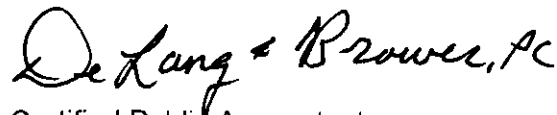
In connection with our audit of the books and records of the Saugatuck-Douglas District Library at June 30, 2006, we wish to make the following comments and recommendations:

1. During the fiscal year ended June 30, 2006 there were expenditures in excess of the amount budgeted for various accounts. To comply with PA 2 of 1968 Uniform Accounting and Budgeting Act, we recommend budget figures be reviewed periodically and amended as needed to adjust for changes during the year.
2. In accordance with PA 2 of 1968 Uniform Chart of Accounts for Counties and Local Units of Government in Michigan, all governmental units must use the chart of accounts as prescribed by the State of Michigan. We noted that during the year ended June 30, 2006 the required chart of accounts was not used. We recommend management investigate and implement the appropriate chart of accounts.
3. After the start of our audit fieldwork it came to our attention that bank statements had not been reconciled through the fiscal year end. We recommend that bank accounts be reconciled consistently and timely. In addition, we recommend that the accounting service used prepare reconciliations with approval by the board or management.
4. During our audit work it became apparent that the books are not adjusted to the accrual basis for the fiscal year end. The accrual basis records accounts payable for all vendor invoices pertaining to the fiscal year end but not paid as of the fiscal year end. The accrual basis also records accounts receivable for revenues from penal fines, state aid, and other sources pertaining to the fiscal year end but not received as of the fiscal year end. We recommend that at the end of the fiscal year, the board and management determine the list of accounts receivable or payable. After the list of items payable or receivable are determined we recommend entries into the books be made.

We have once again appreciated the opportunity to work with individuals who are committed to Saugatuck-Douglas District Library and its patrons. The majority of the recommendations made in our last management letter have been successfully implemented.

Respectively submitted,

DELONG & BROWER, P.C.



Certified Public Accountants